

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

# **SHERMAN TOWNSHIP**

Mason County, Michigan

## **FINANCIAL STATEMENTS**

March 31, 2008

## TABLE OF CONTENTS

	PAGE
<b>Independent Auditors' Report</b> .....	1
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
Statement of Net Assets.....	3
Statement of Activities .....	4
Fund Financial Statements:	
<i>Governmental Fund:</i>	
Balance Sheet.....	5
Reconciliation of Fund Balance of Governmental Fund to Net Assets of Governmental Activities .....	6
Statement of Revenues, Expenditures and Changes in Fund Balance .....	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statement of Activities .....	8
Notes to Financial Statements.....	10
<b>Required Supplemental Information:</b>	
Budgetary Comparison Schedule – General Fund .....	17
<b>Other Supplemental Information:</b>	
<i>General Fund:</i>	
Detailed Schedule of Revenues.....	19
Detailed Schedule of Expenditures.....	20
<i>Fiduciary Fund:</i>	
Combining Statement of Changes in Assets and Liabilities .....	23

**BERTHIAUME  
& COMPANY**

Certified Public Accountants



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## **INDEPENDENT AUDITORS' REPORT**

To the Township Board  
Sherman Township, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Sherman Township as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Sherman Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Sherman Township, Michigan, as of March 31, 2008, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sherman Township's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

*Berthiaume & Co.*

July 17, 2008

## ***BASIC FINANCIAL STATEMENTS***

# SHERMAN TOWNSHIP

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## STATEMENT OF NET ASSETS

March 31, 2008

**Assets:**

Cash and cash equivalents	\$ 277,229
Receivables	18,195
Capital assets:	
Nondepreciable capital assets	5,200
Depreciable capital assets, net	<u>3,985</u>
Total assets	<u>304,609</u>

**Liabilities:**

Accounts payable	<u>5,244</u>
Total liabilities	<u>5,244</u>

**Net assets:**

Invested in capital assets	9,185
Restricted for:	
Nonexpendable cemetery principal	5,562
Unrestricted	<u>284,618</u>
Total net assets	<u><u>\$ 299,365</u></u>

*The accompanying notes are an integral part of these financial statements.*

# SHERMAN TOWNSHIP

## STATEMENT OF ACTIVITIES

Year Ended March 31, 2008

	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		
<u>Expenses</u>				
<b>Functions/Programs:</b>				
<i>Governmental activities:</i>				
General government	\$ 76,323	\$ 2,480	\$ 2,623	\$ (71,220)
Public safety	7,092	-	-	(7,092)
Public works	40,179	-	-	(40,179)
Recreation and culture	584	-	-	(584)
Total governmental activities	<u>124,178</u>	<u>2,480</u>	<u>2,623</u>	<u>(119,075)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purpose				36,004
Property taxes, levied for roads				30,714
Grants and contributions not restricted to specific programs				64,797
Unrestricted investment earnings				9,997
Miscellaneous				783
Contributions to permanent fund principal				<u>400</u>
Total general revenues and contributions				<u>142,695</u>
Change in net assets				23,620
Net assets, beginning of year				<u>275,745</u>
Net assets, end of year				<u>\$ 299,365</u>

The accompanying notes are an integral part of these financial statements.

# SHERMAN TOWNSHIP

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## GOVERNMENTAL FUND

### BALANCE SHEET

March 31, 2008

		<i>Nonmajor Governmental Fund</i>	
	<i>General Fund</i>	<i>Cemetery Perpetual Care Fund</i>	<i>Total Governmental Funds</i>
<b>Assets:</b>			
Cash and cash equivalents	\$ 271,667	\$ 5,562	\$ 277,229
Taxes receivable	8,364	-	8,364
Due from other governmental units	9,831	-	9,831
Total assets	<u>\$ 289,862</u>	<u>\$ 5,562</u>	<u>\$ 295,424</u>
<b>Liabilities and Fund Balances:</b>			
<i>Liabilities:</i>			
Accounts payable and accrued expenses	\$ 4,744	\$ -	\$ 4,744
Deposits payable	500	-	500
Total liabilities	<u>5,244</u>	<u>-</u>	<u>5,244</u>
<i>Fund balances:</i>			
Reserved for:			
Nonexpendable cemetery principal	-	5,562	5,562
Unreserved:			
General fund	<u>284,618</u>	<u>-</u>	<u>284,618</u>
Total fund balances	<u>284,618</u>	<u>5,562</u>	<u>290,180</u>
Total liabilities and fund balances	<u>\$ 289,862</u>	<u>\$ 5,562</u>	<u>\$ 295,424</u>

*The accompanying notes are an integral part of these financial statements.*



# SHERMAN TOWNSHIP

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## RECONCILIATION OF FUND BALANCE OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

March 31, 2008

<b>Total fund balances for governmental funds</b>	\$ 290,180
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Total net assets reported for governmental activities in the statement of  
of net assets is different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the governmental funds.

Governmental capital assets	63,065	
Less accumulated depreciation	<u>(53,880)</u>	<u>9,185</u>

<b>Net assets of governmental activities</b>	<b>\$ <u>299,365</u></b>
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*The accompanying notes are an integral part of these financial statements.*

# SHERMAN TOWNSHIP

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## GOVERNMENTAL FUND

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2008

		<i>Nonmajor Governmental Fund</i>	
	<i>General Fund</i>	<i>Cemetery Perpetual Care Fund</i>	<i>Total Governmental Funds</i>
<b>Revenues:</b>			
Property taxes	\$ 66,718	\$ -	\$ 66,718
Licenses and permits	480	-	480
State grants	65,187	-	65,187
Contributions from other units	2,233	-	2,233
Charges for services	250	-	250
Interest and rents	11,313	234	11,547
Other revenue	983	400	1,383
Total revenues	147,164	634	147,798
<b>Expenditures:</b>			
Current			
General government	69,289	-	69,289
Public safety	7,092	-	7,092
Public works	40,179	-	40,179
Recreation and culture	584	-	584
Other	5,533	-	5,533
Total expenditures	122,677	-	122,677
Excess (deficiency) of revenues over expenditures	24,487	634	25,121
<b>Other financing sources (uses):</b>			
Transfers in	634	-	634
Transfers out	-	(634)	(634)
Total other financing sources (uses)	634	(634)	-
Net change in fund balance	25,121	-	25,121
Fund balance, beginning of year	259,497	5,562	265,059
Fund balance, end of year	\$ 284,618	\$ 5,562	\$ 290,180

*The accompanying notes are an integral part of these financial statements.*

# SHERMAN TOWNSHIP

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## RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2008

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 25,121</b>
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Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	-	
Less depreciation expense	<u>(1,501)</u>	<u>(1,501)</u>

<b>Change in net assets of governmental activities</b>	<b><u><u>\$ 23,620</u></u></b>
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*The accompanying notes are an integral part of these financial statements.*

***NOTES TO FINANCIAL STATEMENTS***

# SHERMAN TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS

March 31, 2008

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The accounting policies of Sherman Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity:**

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Township. In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Township may be financially accountable and, as such, should be included within the Township's financial statements. The Township (the primary government) has no component units and accordingly, the Township has not consolidated any entities into its financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation:**

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

#### ***Government-wide Financial Statements:***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government. These statements distinguish between activities that are governmental and those that are business-type activities. There are no business-type activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts (1) invested in capital assets, (2) restricted net assets, and (3) unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

# SHERMAN TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

The statement of activities reports both the gross and net cost of each of the Township's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Township does not allocate indirect costs. In creating the government-wide financial statements the Township has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Township as an entity and the change in the Township's net assets resulting from current year activities.

### ***Fund Financial Statements:***

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting.

The Township reports the following major governmental funds:

The **General Fund** is the primary operating fund of the Township. It is used to account for all financial resources, except for those required to be accounted for in another fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do no conflict with or contradict guidance of the Governmental Accounting Standards Board.

# SHERMAN TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

### Assets, Liabilities and Equity:

**Deposits and Investments** – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value.

**Capital Assets** – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Township defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after April 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	40-50 years
Equipment	10 years

**Compensated Absences** – The Township does not allow the carryover of unused sick or vacation days. Therefore, no liability has been recorded in the government-wide financial statements.

**Long-term Obligations** – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

### Property Taxes:

Properties are assessed as of December 31 and the related property taxes are attached as an enforceable lien on December 1 of the following year. These taxes are due on or before February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2007 taxable valuation of the Township totaled \$30,620,011 on which ad valorem taxes levied consisted of .8191 mills for the Township’s operating purposes and .9966 for roads.

# SHERMAN TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

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### NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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#### **Budgetary Information**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Township Clerk submits to the Township Board a proposed operating budget. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted by adoption of the Township Board.
4. Any revision that alters the total expenditures must be approved by the Township.
5. Formal budgetary integration is employed as a management control device during the year.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund budget as originally adopted and amended by the Township Board is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

#### **Excess of Expenditures over Appropriations in Budgeted Funds:**

During the year, the Township did not incur expenditures that were materially in excess of the amounts budgeted.

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### NOTE 3: DEPOSITS AND INVESTMENTS

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Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

#### **Custodial Credit Risk of Bank Deposits:**

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. The Township does not have a deposit policy for custodial credit risk. At year-end, the Township had \$282,434 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$112,007 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits. At year end, the Township had no investments.



# SHERMAN TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

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### NOTE 4: CAPITAL ASSETS

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Governmental activities capital asset activity for the year ended March 31, 2008 was as follows:

	<i>April 1, 2007</i>	<i>Additions</i>	<i>Retirements</i>	<i>March 31, 2008</i>
<b>Governmental activities:</b>				
Nondepreciable capital assets:				
Land	\$ 5,200	\$ -	\$ -	\$ 5,200
Depreciable capital assets:				
Buildings	50,500	-	-	50,500
Equipment	7,365	-	-	7,365
Total depreciable capital assets	57,865	-	-	57,865
Accumulated depreciation	(52,379)	(1,501)	-	(53,880)
Depreciable capital assets, net	5,486	(1,501)	-	3,985
Governmental activities, capital assets, net	<u>\$ 10,686</u>	<u>\$ (1,501)</u>	<u>\$ -</u>	<u>\$ 9,185</u>

Depreciation expense was charged to functions as follows:

<b>Governmental activities:</b>	
General government	<u>\$ 1,501</u>
Total governmental activities	<u>\$ 1,501</u>

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### NOTE 5: LONG-TERM LIABILITIES

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The Township had no long-term liabilities at March 31, 2008.

# SHERMAN TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

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### NOTE 6: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

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Receivables as of year end for the Township's governmental activities in the aggregate are as follows:

	<u><i>Governmental Activities</i></u>
<b>Receivables:</b>	
Property taxes	\$ 8,364
Intergovernmental	<u>9,831</u>
Total receivables	<u>\$ 18,195</u>
<b>Payables:</b>	
Accounts and accrued expenses	\$ 4,744
Deposits	<u>500</u>
Total receivables	<u><u>\$ 5,244</u></u>

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### NOTE 7: RISK MANAGEMENT

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The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Township has purchased commercial insurance. Settled claims resulting from these risks have not exceeded the amount of insurance coverage in the past three fiscal years.

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### NOTE 8: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

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#### **Pension Plan:**

The Township has a defined contribution pension plan covering all Township Board members, the cemetery/park caretaker, and Township hall caretaker. The Township contributes 7.5% of each participant's annual salary to the plan. Participants may also make voluntary after-tax contributions, although none did during the fiscal year. Pension expense for the fiscal year ended March 31, 2008 was \$2,931.

#### **Post Employment Benefits:**

The Township provides no post employment benefits to its retirees.

#### **Deferred Compensation Plan:**

The Township has no deferred compensation plan.

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### NOTE 9: FUND EQUITY

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Specific reservations on fund equity include:

**Reserved for nonexpendable cemetery principal** – This reserve was created to indicate that portion of fund balance representing the nonexpendable principal portion required to be retained in perpetuity for cemetery care.

***REQUIRED SUPPLEMENTAL INFORMATION***

# SHERMAN TOWNSHIP

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## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2008

	<i>Budgeted Amounts</i>			<i>Actual Over (Under)</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Final Budget</i>
<b>Revenues:</b>				
Property taxes	\$ 58,500	\$ 58,500	\$ 66,718	\$ 8,218
Licenses and permits	1,000	1,000	480	(520)
State grants	66,500	66,500	65,187	(1,313)
Contributions from other units	500	500	2,233	1,733
Charges for services	-	-	250	250
Interest and rents	10,400	10,400	11,313	913
Other revenue	1,600	1,600	983	(617)
Total revenues	138,500	138,500	147,164	8,664
<b>Expenditures:</b>				
Current				
General government	74,620	74,620	69,289	(5,331)
Public safety	7,094	7,094	7,092	(2)
Public works	50,249	50,249	40,179	(10,070)
Recreation and culture	1,000	1,000	584	(416)
Other	5,537	5,537	5,533	(4)
Total expenditures	138,500	138,500	122,677	(15,823)
Excess (deficiency) of revenues over expenditures	-	-	24,487	24,487
<b>Other financing sources (uses):</b>				
Transfers in	-	-	634	634
Net change in fund balance	-	-	25,121	25,121
Fund balance, beginning of year	38,014	38,014	259,497	221,483
Fund balance, end of year	\$ 38,014	\$ 38,014	\$ 284,618	\$ 246,604

***OTHER SUPPLEMENTAL INFORMATION***

# SHERMAN TOWNSHIP

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## GENERAL FUND

### DETAILED SCHEDULE OF REVENUES

Year Ended March 31, 2008

***Current Taxes:***

Property taxes	\$ 56,608
Property tax administration fees	10,110
	<u>66,718</u>

***Licenses and permits:***

Nonbusiness licenses and permits	<u>480</u>
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***State Grants:***

State revenue sharing - sales tax	62,564
Metro Act - right of way fees	2,623
	<u>65,187</u>

***Contribution from other units:***

Other	<u>2,233</u>
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***Charges for services:***

Cemetery fees	<u>250</u>
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***Interest and rents:***

Interest	9,763
Rents	1,550
	<u>11,313</u>

***Other Revenue:***

Cemetery lots/perpetual care	200
Reimbursements	599
Refunds and rebates	184
	<u>983</u>

Total revenues	<u>147,164</u>
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***Other Financing Sources:***

Transfers from other funds	<u>634</u>
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Total revenues and other financing sources	<u>\$ 147,798</u>
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# SHERMAN TOWNSHIP

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES

Year Ended March 31, 2008

#### *General Government:*

##### *Board:*

Personnel	\$ 1,750
Fringe benefits	236
Contracted services	688
Dues and memberships	704
Printing and publications	305
Insurance	329
Repairs and maintenance	95
Other	32
	<u>4,139</u>

##### *Supervisor:*

Personnel	5,820
Fringe benefits	624
Mileage	77
Education and training	75
	<u>6,596</u>

##### *Clerk:*

Personnel	6,000
Fringe benefits	643
Supplies	120
Mileage	127
Dues and memberships	10
Education and training	75
	<u>6,975</u>

##### *Board of Review:*

Personnel	688
Mileage	32
Education and training	45
	<u>765</u>

##### *Treasurer:*

Personnel	7,500
Fringe benefits	799
Supplies	1,240
Mileage	338
Printing and publications	2,010
Utilities	240
Other	980
	<u>13,107</u>

# SHERMAN TOWNSHIP

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2008

***General Government, continued:***

*Assessor:*

Supplies	\$ 86
Contracted services	9,933
Printing and publications	72
	<u>10,091</u>

*Elections:*

Personnel	1,155
Mileage	91
	<u>1,246</u>

*Building and Grounds:*

Personnel	1,905
Fringe benefits	255
Supplies	194
Utilities	4,633
Repairs and maintenance	13,527
Other	347
	<u>20,861</u>

*Cemetery:*

Personnel	980
Fringe benefits	251
Supplies	100
Contracted services	3,292
Mileage	91
Repairs and maintenance	795
	<u>5,509</u>

Total general government	<u>69,289</u>
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***Public Safety:***

*Fire:*

Contracted services	<u>7,092</u>
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Total public safety	<u>7,092</u>
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***Public Works:***

*Drains - Public Benefit:*

Contracted services	<u>393</u>
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# SHERMAN TOWNSHIP

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2008

***Public Works, Continued:***

*Roads:*

Contracted services	\$ 35,524
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*Street Lighting:*

Utilities	122
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*Refuse Collection:*

Contracted Services	4,140
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Total public works	40,179
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***Recreation and Culture:***

*Parks and Recreation:*

Personnel	370
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Supplies	34
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Mileage	51
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Utilities	129
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Total recreation and culture	584
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***Other:***

Insurance and bonds	5,533
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Total other	5,533
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Total expenditures	\$ 122,677
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# SHERMAN TOWNSHIP

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## FIDUCIARY FUND

### COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

March 31, 2008

	<u><i>April 1, 2007</i></u>	<u><i>Additions</i></u>	<u><i>Deductions</i></u>	<u><i>March 31, 2008</i></u>
<b><u>Current Property Tax Collection Fund:</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ <u>-</u>	\$ <u>910,643</u>	\$ <u>910,643</u>	\$ <u>-</u>
<b>Liabilities:</b>				
Accounts payable	\$ <u>-</u>	\$ <u>910,643</u>	\$ <u>910,643</u>	\$ <u>-</u>



## **REQUIRED COMMUNICATION TO SHERMAN TOWNSHIP IN ACCORDANCE WITH PROFESSIONAL STANDARDS**

To the Township Board  
Sherman Township

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sherman Township for the year ended March 31, 2008, and have issued our report thereon dated July 17, 2008. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated July 2, 2002, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. The financial statements do not include a Management Discussion & Analysis. You have elected to exclude it because it is not required to be part of the basic financial statements.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

### **Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Sherman Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates may be particularly sensitive because of their significance to the financial statements and because of the possibility that future

events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

### **Disclosures**

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users.

### **Difficulties Encountered in Performing the Audit**

We encountered no difficulties in performing and completing our audit.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, if any.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated July 10, 2008.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Discussions with Management**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Internal Control Matters**

In planning and performing our audit of the financial statements of Sherman Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Sherman Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Municipality's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting

principles such that there is more than a remote likelihood that misstatement of the Municipality's financial statements that is more than inconsequential will not be prevented or detected by the Municipality's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Municipality's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined above.

Deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, follow:

Recording, Processing and Summarizing Accounting Data

Criteria: All governmental units are required to have in place internal controls over recording, processing, summarizing accounting data and preparing financial statements. SAS No. 112 requires us to communicate with you about this.

Conditions: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the recording, processing, summarizing accounting data and preparing financial statements as part of its external financial reporting process. Accordingly, the government has placed reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to have external auditors recommend the necessary adjusting journal entries to its general ledger and prepare the financial statements than to incur the time and expense for the government to perform these tasks internally.

Effect: As a result of this condition, the government lacks internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and instead relied, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The government has evaluated the cost versus benefit of establishing internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the government to rely on its external auditors to recommend the necessary adjustments and preparation of the financial statements.

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This communication is intended solely for the information and use of management, Township Board, and others within the Municipality, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Berthiaume & Co.*

Berthiaume & Company  
Certified Public Accountants  
Saginaw, Michigan

July 17, 2008